# Welcome
### To the Australian ICT Bulletin
## May 2006

This monthly publication contains useful business intelligence on the Australian Information and Communications Technology market.

In this issue, you'll find information on:

- IT Spending
- Hot Technologies
- Telco Wrap
- And much, much more!

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## Austar Bringing the Internet to the Outback

Through an alliance with SP Telemedia, Australian pay TV provider Austar is creating a $50 million wireless network to service the rural areas of Australia. Austar is continuing its expansion efforts from the pay-TV industry into the broadband sector, working to grow their 30,000 mobile customers and 40,000 internet users base. The collaboration will allow SP Telemedia's fixed-line backhaul services to tack Austar's wireless traffic into fixed-fibre networks. While SP Telemedia's parent brand Soul currently acts as Austar's internet network provider, this new agreement greatly expands upon the existing arrangement.

Austar plans to launch a trial run of emerging Wi-max technology in three areas by June, with the goal of expanding into 27 selected areas by the year's end. Austar is specifically targeting non-metropolitan areas without ADSL access, reaching a total of 750,000 customers. This is Austar's second attempt at creating a regional broadband network. Its first satellite-based endeavor occurred during the technology boom of the 1990s.

Austar has been aggressively pursuing the broadband market, and last year partnered with Unwired. The resulting wireless spectrum swap increased the capacity and presence of both companies. Austar is currently eyeing the $1.1 billion budget the government has allocated for companies providing broadband services to regional areas. Future plans include VoIP services, satellite broadband, and the provision of video, broadband, voice and mobile services to the 2.5 million inhabitants of rural Australia.

## 3G Promotional Efforts

As growth in the mobile communications market continues to slow, Australia's telecommunications companies are pushing new upgrades. The industry is offering significant incentives to entice customers to upgrade to the new third-generation networks, which they market as more efficient for voice calling. The 3G networks also offer new data, audio, and video applications including music downloads and video calling. Industry giants have poured $5 billion into 3G technology, which they hope will offset the revenue shortfalls created by falling mobile voice prices. Telstra and Hutchinson co-own a national network, and Telstra is currently investing over $1 billion to build its own network. Optus and Vodafone have also launched a joint network, which has expanded from Sydney and Melbourne to include Brisbane and the Gold Coast. Hutchison remains the clear market leader in this area, providing services to 600,000 users.

## Australia Lags in Broadband Service

According to the OECD, in the 6 months to December 2005, Australia had 13.8 broadband users for every 100 people, as compared to #1 Iceland (25.6 users per 100 people, although this represents a small population size) and #2 Korea (25.4 users per 100 in a population over 12 million).

## ISPs Refuse to Cooperate in Tasmanian Filtering Trial

Australia's two largest ISPs Telstra and Optus have refused to cooperate with an internet filtering/censorship trial that is scheduled to be launched in Tasmania this July. As a result, the trial will reach only about 50% of Tasmanian internet users. Telstra and Optus claim that the government's current censorship system is adequate. The Tasmanian trial is designed to test this claim and to showcase filtering technologies to countries in the Asia-Pacific area with heavier censorship laws, such as China. The trial will be sponsored by Australian-based Internet

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Sheriff Technologies and US-based RuleSpace and HP.

## Telstra Faces Damages Claim

Australian telecom carrier Optus has filed a claim with the Federal Court that Telstra abused its market power by raising its wholesale line rental prices above the cost of its own retail line rental charges. Telstra already faces fines of $1 million per day as a result of price discrepancies.

## Telstra's Big Plans

Telstra has proposed a $3.1 billion Fiber To The Node (FTTN) network to service 87 percent of Australia's population. The network would allow users to download films and music in addition to regular telephone service. Rivals complain that they do not have fair access to Telstra's network, and the FTTN network roll out may leave rivals' investments in their own ADSL equipment stranded. Telstra currently charges rivals for access to its copper lines, using what is called unconditional local loop pricing. While rivals complain that these fees are unfair, the new network roll out, which would provide for more advanced services, would make the ULL controversy irrelevant.

The new problem facing Telstra's rivals would be Telstra's complete control over the FTTN network. Telstra rivals complain that sale of Telstra fibre does not enable real competition because they would only be able to resell Telstra's fibre services without adding other services. This wholesale-only arrangement would prevent Telstra's wholesale revenues from decreasing.

## Competition in VoIP Market Increases

The declining cost of broadband connections and the growing number of voice over internet protocol (VoIP) providers have begun to put downward pressure on prices, making it more difficult for companies to generate profits.

Two more companies, Broad Investments and Telecorp, have separately launched new retail and business products in the VoIP market. Other players in the market are concerned that there are already too many competitors. Two of the industry's leaders are both losing money, even as their customer base increases. For example, Freshtel's retail subscribers increased to about 270,000 by the end of December, 65,000 of whom were in Australia. However, they lost about $2.6 million before tax in the six months to December. Another company, Engin, with a paying subscriber line base of 24,000 and 5,500 non-paying subscribers, lost $5.3 million before tax in the same period.

## Forecasted growth for hot technologies[1]:

| | |
|---|---|
| Voice and voice over IP | 179% |
| Tablet PCs | 87% |
| Sales force automation tools | 84% |
| ITIL | 75% |
| Storage over IP, iSCSI | 55% |
| Fixed broadband wireless | 54% |
| Document management | 54% |
| Wireless LAN | 52% |

[1] IDC Australia forecast for Management Survey 2006, preliminary figures

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**Top 5 Challenges for CIOs for 2006[1]:**

1. Decreasing costs and lack of resources
2. Migration to new hardware and software
3. Aligning IT with business direction
4. Meeting user expectations
5. Keeping abreast of technology

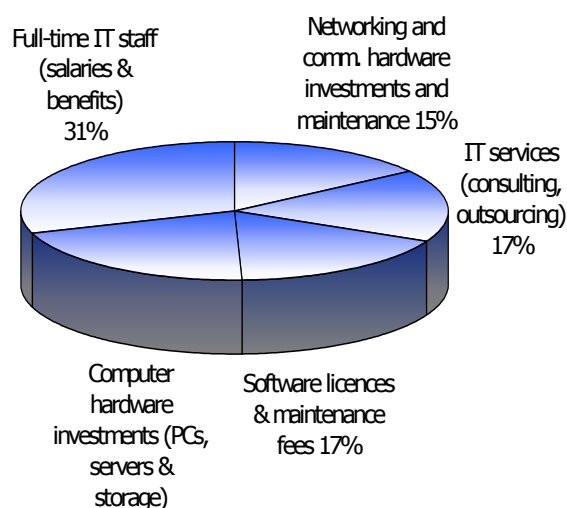IDC Australia forecast

## Putting the Lid on VoIP Profits

While the number of VoIP users is growing rapidly, profits within the industry are not growing proportionately. Research shows that the number of consumer and small business VoIP users increased this year from 411,000 to 900,000, but the number of paying subscribers is expected to drop over time as networks consolidate and the number of users increases. The Australian VoIP market is extremely competitive, pushing down prices and encouraging peering between VoIP providers. More than 100 companies, mostly local, offer services in Australia. While it is unclear whether voice will eventually be completely free, providers have already found that they must rely on other sources of revenue. Advertising is a possible solution, but the fact remains that the market does not present as many opportunities for providers as the growing number of users would suggest.

## IT Spending on the Rise

As Australian companies reduce spending on the maintenance of old systems in favor of custom-built applications, information technology investments are expected to increase dramatically. Ninety-eight percent of companies have telecommunications and network services funds, which account for 20% of their entire IT budgets. The highest priorities for Australian IT organizations continue to be consolidation, security, disaster recovery and application upgrades, with security investments being the primary focus area.

### IT Budget Breakdown

Full-time IT staff (salaries & benefits) 31%

Networking and comm. hardware investments and maintenance 15%

IT services (consulting, outsourcing) 17%

Computer hardware investments (PCs, servers & storage)

Software licences & maintenance fees 17%

Source: *The Australian*, March 21 2006

In a recent study by Forrester Group, almost half of the companies surveyed reported that they were currently undergoing application transfer or renewal. Australia's trends are reflected in the greater Asia Pacific, and as the demand for custom-built systems increases, so does projected investment. This is a stark reversal from the previous commitment to maintenance and aversion to changing applications.

## Business on the Move and the Return of the Blackberry

Australians have rekindled their interest in handheld devices, creating a spike in demand. Shipments of smart handheld

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computing devices increased by 36% during the fourth quarter of 2005. This growing demand is accelerated in part by low retail pricing, easy-to-use accessories and convergence models that combine multiple devices and applications. Nokia continues to provide a majority of the market supply, controlling 77.5% of shipments. Research in Motion's Blackberry placed second, capturing 5.6% of the market. Hewlett-Packard followed with 4.9% share, and Palm placed fifth after devices provided by carriers.

## Mobile Broadband

More and more Australian companies are utilizing mobile broadband as a primary business tool, turning the ideal of a mobile office into a working reality. Due to network upgrades and falling prices, mobile broadband is more affordable, allowing workers with data card-enabled laptops greater access and flexibility. Much of the interest and purchasing is coming from medium to small businesses, which are faster at approving and adopting new technology. As corporations slowly join the bandwagon, telecommunications companies are predicting even greater sales. Service providers are taking note of the growing enthusiasm, and offering a variety of new options and competitive pricing in efforts to attract customers to the emerging market.

Telecommunications giant Telstra is currently upgrading its mobile networks to a 3G service that will provide data speeds throughout the country that were previously only available in

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**Competing Services:**
Est. Market Share for 3G Data Cards

| | |
|---|---|
| Telstra: | 32% |
| Vodafone: | 28% |
| Hutchison: | 24% |
| Optus: | 16% |

Total Data Card Market: **120,000 to 150,000 units**

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metropolitan areas. Likewise Vodafone is enticing customers using its 3G network—co-built with Optus—by continuing to increase data speed through network upgrades and employing data compression technology. Optus is offering its customers the ability to seamlessly transition between 3G, WiFi, and GSM technology depending on their location and proximity to 'hot spots' providing particularly fast data speeds.

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## Nothing Can Beat Google

According to the latest Roy Morgan Internet Monitor, in the July to September period of 2005, more than 8.5 million Australians said that Google was their preferred Internet search platform. This equates to 65 percent of Australians who are online use Google, compared to 17 percent who regularly use Yahoo!. Telstra's own search engine, Sensis.com.au was used by 1.1 million users. Altavista was used by only 179,000 users. Google's dramatic increase in market share has been offset by a similarly dramatic fall in the users of Yahoo! and Altavista products.

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**Did You Know?**
There are approximately 40 mainframe sites in the Australian market.

Big service providers to these sites include: IBM GSA, EDS, and CSC. Local Australian companies that provide hardware and services to this market include Independent Systems Integrators – www.isi.com.au, Executive Computing Group – www.ecg.com.au, and Computer Merchants - www.cmerch.com.au

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# Bulletin Board
## Australian Companies Looking for U.S. Technologies to Distribute in Oz

**Executive Computing Group**
Mr Andrea Fontana, BD Manager
Phone: 61 2 9816 2937
Fax: 61 2 9816 3455
Cell Phone: 0410 412 414
Email: afontana@executivecomputing.com.au
Web Site: www.ecg.com.au

**Looking for enterprise-level applications**

**Australian Semiconductor Technology Company Pty Ltd**
76 Waymouth Street
Adelaide, SA 5000
Web Site: www.astc-design.com

Jay Yantchev, MD/CEO
Phone: 61 417 867 199
Fax: 61 8 8338 6379
Email: jay.yantchev@astc-design.com

**Looking for Embedded semiconductors, FPGA's, DSP, microcontrollers, software tools for embedded products**

**DBD**
PO Box 5243
South Turramurra, NSW 2074
Web Site: www.dynamicbd.com

Mark Jackson, Director
Phone: 61 411 090 991
Fax: 61 2 9144 7840
Cell Phone: 61 411 090 991
Email: mjackson@dynamicbd.com.au

**Looking for networking solutions**

**E-sentinel**
Level 20, 300 Queen Street
Brisbane, QLD 4000
Web Site: www.e-sentinel.com

David Levi, Director
Phone: 61 7 3230 0371
Fax: 61 7 3319 6023
Email: david.levi@e-sentinel.com

**Looking for information systems assurance solutions. Currently working with Assuria and Apec, Inc**

**Hot Products**
31 Lochville Street
Wahroonga, NSW 2076

Peter Sullivan, Managing Director
Phone: 61 2 9489 8788      Fax: 61 2 9489 8957
Email: peter@hotproducts.com.au

**Looking for electronics products. Company has strong ties with the retail stores.**

**Integrated Imaging**
Newport, NSW 2106
Web Site: www.integrated-imaging.com.au

David Sentinella, Managing Director
Phone: 02 9997 2717
Fax: 02 9997 7426
Cell Phone: 0418 489 717
Email: d.sentinella@integrated-imaging.com.au

**Looking for embedded products**

**RBP Enterprises Pty Ltd**
18 Huon Street
Wahroonga, NSW 2076
Web Site: www.rbp.net.au

Richard Pridgen, Director
Phone: 61 2 9489 0917
Cell Phone: 61 406 879 091
Email: rick@rbp.net.au

**Importer and wholesaler USB Flash drives and blank DVDS/CDs. Looking for small hardware products**

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## Wave Business Solutions

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## Marketing Services Providers

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# Local Integrators/Distributors of Wireless Solutions

## Alstom Australia Limited Information Technology - Now Trading as itX Pty Ltd

Mr Jim McKinlay, GM, of Nexos
Phone: 61 2 8875 0534        Fax: 61 2 8875 0598
Email: jim.mckinlay@itx.com.au
Level 8, 15 Talavera Road
North Ryde, NSW 2113
Web Site: www.it.alstom.com.au

## Ayr Data Systems Pty Ltd

Mr Paul Stubbs, Managing Partner
Phone: 61 2 9488 3155        Fax: 61 2 9488 3177
Email: paul.stubbs@ayrdata.com
28 Bridge Street
Pymble, NSW 2073
Web Site: www.arydata.com.au

## Control Synergy Pty Ltd

Mr David Croxford, Managing Director
Phone: 61 2 4966 5211        Fax: 61 2 4966 4522
Email: david@controlsynergy.com.au
Web Site: www.controlsynergy.com.au

## Datanet Pty Ltd

Mr Ian Abbott, Marketing Manager
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Burswood , WA 6100
Web Site: www.data.net.au

## Skywire (Australia) Pty Ltd

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Web Site: http://www.transdata.com.au

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**Upcoming Trade Shows**

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Location: Sydney Exhibition Centre
Organizers: HISA
Frequency: Annual
Tel: 61 3 9388 0555

Fax: 61 3 9388 2086
Email: hisa@hisa.org.au
Web site: www.hic.org.au

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